TAIPING POLY (M) SDN BHD

v.

WONG FOOK TOH & ORS

HIGH COURT MALAYA, KUALA LUMPUR
KANG HWEE GEE J
[CIVIL SUIT NO: 22-90-1996]
31 MAY 2004

CIVIL PROCEDURE: *Damages - Assessment of damages - Loss suffered by plaintiff - Whether correct computation should be loss of net profits and not loss of sales - Loss of goodwill - Whether to be awarded*

This was the defendants' appeal against the decision of the senior assistant registrar ('SAR') awarding the damages as pleaded by the plaintiff. The defendants argued that in granting the terms, the SAR had wrongly accepted the loss of sales as loss of profit incurred by the plaintiff without taking into account production costs. It was their contention that the correct computation should be the loss of net profits arising from the infringement and passing off, and not loss of sales. Further, the defendants were only concerned with the infringement of the 'Haitop' brand, but the net profits given were for many other brands of bags manufactured by the plaintiff. The plaintiff argued that damages should be loss of sales and not loss of profits after tax, and that costs of production are constant and therefore should not be taken into account.

Held (allowing the appeal):

[1] The loss suffered by the plaintiff should be the net loss of profits only for the Haitop bags that it produced. The computation of loss for the plaintiff for the years 1995 and 1996 should be as submitted by the defendants. (p 535 c)

[2] The plaintiff should in addition be awarded loss of goodwill. The court accepted the plaintiff's submission that damages are presumed and need not be proof for goodwill; the greater the reputation of the brand, the more vulnerable is the damages of the goodwill. Hence, fair and temperate sums should be awarded. (p 535 d)

[3] The loss and damages suffered by the plaintiff were for a period of three years. The plaintiff was the substantial manufacturer of bags in Malaysia and it had to spend additional sums of money to rehabilitate the infringement of its 'Haitop' brand. A sum of fifty thousand ringgit should be awarded on this head. (p 535 e)

[Appeal allowed with costs; the order of the SAR to be set aside and damages assessed accordingly.]

Case(s) referred to:
Livingstone v. Rawyard Coal Co [1880] 4 App Case 25
Tan Sri Khoo Teck Puat v. Plenitute Holdings Sdn Bhd [1994] 3 MLJ 777

For the plaintiff/respondent - En Kenneth; M/s Michael Chai & Co
For the defendant/appellant - Wong Kim Fatt (En Chang & Pn Wong); M/s Henry Soong & Chang

Reported by Suhainah Wahiduddin

JUDGMENT

Kang Hwee Gee J:
This is an appeal by the defendants against the decision of the senior assistant registrar (SAR) awarding the damages pleaded for *vide* summons-in-chambers in encl. (64) as follows:

(1) Defendan-defendan atau setiap seorang daripada mereka hendaklah membayar gantirugi kepada Plaintif dalam jumlah:

(a) RM1,139,655.14 kerugian bagi tahun 1995;

(b) RM1,014,771.65 kerugian bagi tahun 1996;

(c) RM37,400.00 kerugian perbelanjaan untuk tarikh-tarikh bicara di Mahkamah.

(2) Faedah atas jumlah RM2,154,426.79 pada kadar 8% setahun dikira dari tarikh 3.5.1996 sehingga tarikh penyelesaian penuh;

(3) Faedah atas jumlah RM37,400.00 pada kadar 8% setahun dikira dari tarikh Perintah ini sehingga tarikh penyelesaian penuh;

(4) Kos permohonan ini serta kos segala prosiding Penaksiran Gantirugi dibayar oleh Defendan-Defendan atau setiap seorang daripada mereka kepada Plaintif.

(5) Perintah atau arahan yang lain atau selanjutnya yang dianggap sesuai dan adil oleh Mahkamah Yang Mulia ini.

Defendants' Grounds For Appeal

(1) In granting the order-in-terms the senior assistant registrar had wrongly accepted the loss of sales as loss of profit incurred by the plaintiff without taking into account production costs.

(2) The defendants accept the loss of sales figures in items (a) and (b) in the summons-in-chambers, but contend that correct computation should be the loss of net profits arising from the infringement and passing off, and not loss of sales.

(3) What the registrar should have done is to look at the audited accounts submitted by the plaintiff for the years 1995 and 1996 at plaintiff's Bundle "A" (at pp. 8-10).

(4) From these it is clear that:

(a) the net profit for 1995 was RM26,432

(b) the net profit for 1996 was RM150,854

(5) But these net profits were for many brands of bags manufactured by the plaintiff. We are concerned only with infringement of the "Haitop" brand.

(6) The defendants' computation for loss of net profits arising from the infringement and passing off for the years 1995 and 1996 are as follows:

a) **For Year 1995:**

Turnover (sales)	–	RM9,179,686
Net Profit	–	RM26,432

Percentage of net profit of turnover:
RM26,432 divided by RM9,179,686 x 100 = 0.28%

b) **Year 1996:**

Turnover (sales)	–	RM13,123,390
Net Profit	–	RM150,854

Percentage of net profit of turnover:
RM150,854 divided by RM13,123,390 x 100 = 1.14%

c) The Defendants accept the plaintiff's claims in its summons (encl. 64) for **loss of sales** of "Haitop" brand in paras. 2.4 and 2.6, in cash terms:

Loss of **sales** for 1995 : 6% (from 12%) = RM1,139,655.14
Loss of **sales** for 1996 : 3% (from 12%) = RM1,014,771.65

d) The principal head of loss for the plaintiff will be the loss of business profits arising from the defendants' infringement or passing off of the Haitop bags. Based on the plaintiff's own loss of sales figures (ie, RM1,139,655 and RM1,014,744) in its summons-in-chambers, the loss of business profits of the plaintiff, will be at the very most, based on the above audited accounts of the plaintiff and Taiping Poly Marketing Sdn Bhd and their very low profit margins, as follows:

(a) For Year 1995 : RM1,139,655 x 0.28%	=	RM 3,191
(b) For Year 1996 : RM1,014,771 x 1.14%	=	RM11,568

Plaintiff's total loss of Net Profits	=	RM14,759
		========

(Note for '95 : The claim or award is 357 times the profit margin of RM3,191.00)

(Note for '96 : The claim or award is 87 times the profit margin of RM11,568.00)

Plaintiff's Reply

(1) Damages should be loss of sales not loss of profits after tax, because the principle of damages is to put the plaintiff back into the position where there is no infringement and passing off.

(2) Costs of production are constant and therefore should not be taken into account.

(3) By way of illustration after a bag had been sold where there was no infringement and passing off, the plaintiff would have received the entire profit from the bag.

(4) In any case even if production costs is to be taken into account, then court should not take into account overheads and tax paid because overhead is constant (would be incurred in any event) and tax can not be attributed to one particular brand, but was for the company as a whole.

Principle Upon Which Damages Should Be Assessed

(1) See *Tan Sri Khoo Teck Puat v. Plenitute Holdings Sdn Bhd* [1994] 3 MLJ 777 where damages is that sum of money which will put the party who has been injured, or who has suffered in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation. Per Lord Blackburn in *Livingstone v. Rawyard Coal Co.* [1880] 4 App. Cas 25 at 39.

(2) In awarding damages the plaintiff should not be allowed to profit by it. See *Tan Sri Khoo Teck Puat* case.

(3) In my view the loss suffered by the plaintiff should be the net loss of profits only for the Haitop bags that it produces. The computation of loss for the plaintiff for the years 1995 and 1996 should be as submitted by the defendants in its submission in para. (6) in the last heading.

(4) The plaintiff should in addition be awarded loss of goodwill. I accept the submission of the counsel of the plaintiff that damages are presumed and need not be proof for goodwill; the greater the reputation of the brand, the more vulnerable is the damages of the goodwill; the length of time of infringement; fair and temperate sums should be awarded.

(5) Taking into consideration that the loss and damages suffered by the plaintiff were of a period of three (3) years, that plaintiff was the substantial manufacturer of bags in Malaysia and that it had to spend additional sums of money to rehabilitate the infringement of its "Haitop" brand, a sum of RM50,000 should be awarded on this head.

(6) The appeal is allowed with costs. The order of the SAR is set aside and damages are assessed as follows:

(a) The sum of RM14,759 for loss of net profit in respect of infringement for the years 1995 and 1996;

(b) Loss of goodwill on the trademark of "Haitop" at RM50,000.